



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
PUBLIC HEALTH FEDERAL FUND
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT F-515-861

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

515-861

FINANCIAL AUDIT REPORT
PUBLIC HEALTH FEDERAL FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

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CHAIRMAN

November 21, 1980

515-861

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Public Health Federal Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael C. Dendorfer, CPA; Ross Luna; Robyn Graves; and Harriet Kiyan.

Respectfully submitted,

S. Floyd Mori
S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Public Health Federal Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The Public Health Federal Fund was created by Chapter 1261 of the Statutes of 1951 as a depository for all grants received by the State from the Federal Government for those expenditures administered through or under the direction of what is now known as the State Department of Health Services.

Monies deposited in this fund are used (1) to make payments related to the federally funded special projects in the areas of service, demonstration, and research and (2) to repay advances from the General Fund for expenditures which are a proper charge as joint funds made available by the Federal Government.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Public Health Federal Fund as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Section 10850 of the California Welfare and Institution Code bars the Auditor General from access to information which identifies by name and address any applicant or recipient of public assistance. Accordingly, we could determine only that an amount was paid but were precluded from determining if the amount was proper or if the payee was a legal beneficiary. This restriction applies to \$59.3 million of total program expenditures stated at \$78.1 million. Thus, we did not examine adequate evidential matter for about 76 percent of total expenditures.

Since we are unable to audit the program expenditures, the scope of our work is not sufficient to enable us to express, and we do not express, an opinion on the financial statements for the Public Health Federal Fund as of June 30, 1979.

Wesley E. Voss

WESLEY E. VOSS
Assistant Auditor General

Date: July 31, 1980

Staff: Curt Davis, CPA
Michael Dendorfer, CPA
Ross Luna
Robyn Graves
Harriet Kiyan

PUBLIC HEALTH FEDERAL FUND

BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	\$9,423,812
Receivables	88,450
Due from other funds	<u>2,419</u>
Total Assets	<u>\$9,514,681</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 330,946
Fund Balance	<u>9,183,735</u>
Total Liabilities and Fund Balance	<u>\$9,514,681</u>

The notes to the financial statements are an integral part of this statement.

PUBLIC HEALTH FEDERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:

Intragovernmental revenues	\$79,072,490
Total Revenues	<u>79,072,490</u>

Expenditures:

Program expenditures	<u>78,119,156</u>
Total Expenditures	<u>78,119,156</u>
Excess of Revenue over Expenditures	953,334
Fund Equity - July 1	<u>8,230,401</u>
Fund Equity - June 30	<u>\$ 9,183,735</u>

The notes to the financial statements are an integral part of
this statement.

PUBLIC HEALTH FEDERAL FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the Public Health Federal Fund reflect the financial position and results of operations. The statements have not been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by both the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting. The financial statements depart from generally accepted accounting principles by reporting all encumbrances (such as obligations in the form of purchase orders, contracts, or salary commitments chargeable to an appropriation) at year end as accounts payable and expenditures of the fiscal year covered by this report. Although this is a departure from generally accepted accounting principles, this treatment of encumbrances does not affect the fund balance, as these same principles provide that the encumbrances be excluded from the fund balance.

The Public Health Federal Fund is an Expendable Trust Fund established for collecting and disbursing federal grants for special health projects in the areas of service, demonstration, and research. This fund also makes repayments of advances from the General Fund for expenditures which are a proper charge as joint funds made available by the Federal Government.

Expendable Trust Funds are Fiduciary Fund Types that account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and other funds. The Public Health Federal Fund is maintained on a modified accrual basis of accounting. These are some of the significant elements:

Income

Throughout the fiscal year income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, these accounts are adjusted to accrue earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payments are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against budget appropriations for which no goods or services have been received.

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements present financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the State Department of Health Services and the Office of Statewide Health Planning.

These agencies generally concur with the suggested operating improvements.

cc: Members of the Legislature
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Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
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